

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of

[REDACTED]

Petitioner

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DOCKET NO. 16141

DECISION

On July 31, 2001, the staff of the Revenue Operations Division of the Idaho State Tax Commission issued a Notice of Correction to [Redacted] (taxpayer), proposing additional income tax for the taxable year 2000 in the total amount of \$3,569.

On August 14, 2001, the taxpayer, through her representative, filed a timely appeal and petition for redetermination. The taxpayer did not respond to the Tax Commission's hearing rights letter and has provided only the information contained in her protest letter. On December 5, 2001, the Audit/Collections Division of the Idaho State Tax Commission sent the taxpayer a Notice of Deficiency Determination to complete the file before sending it for administrative review. The Tax Commission, having reviewed the file, hereby issues its decision.

The taxpayer filed a 2000 nonresident Idaho income tax return. In computing the portion of itemized deductions and personal/dependent exemptions for the Idaho return, the taxpayer included this statement with her Idaho return: "99% of federal itemized deductions used based on actual payments made while Idaho resident." During the processing of the taxpayer's Idaho return, the Revenue Operations Division found that the taxpayer's computation of allowable itemized deductions and personal/dependent exemptions did not agree with the formula provided in the Idaho Code. Therefore, the Revenue Operations Division corrected the taxpayer's return and sent her a Notice of Correction.

The taxpayer disagreed with the Notice of Correction. The taxpayer stated her itemized deductions were based upon the actual payments made while she resided in Idaho. She provided the total amount of itemized deductions she paid from January through September 2000, the time she was a resident of Idaho, which amounted to 99% of her total federal itemized deductions. The taxpayer stated that Idaho's computation, based upon Idaho adjusted gross income divided by total adjusted gross income, does not correctly represent her Idaho percentage and allowable itemized deductions. The taxpayer believes her method of computing itemized deductions more accurately depicts her Idaho activity and residency.

The Tax Commission sent the taxpayer a letter giving her two options for redetermining the Notice of Deficiency Determination. The taxpayer did not respond. Therefore, the Tax Commission decided the matter based upon the information currently available.

Idaho Code section 63-3026A provides the method of computing Idaho taxable income for part-year residents of Idaho. It states that, for part-year residents, Idaho taxable income is composed of income from Idaho sources for the time the individual was not a resident of Idaho and income from all sources for the time the individual was a resident of Idaho. This section further states that a part-year resident is allowed a deduction for the standard deduction or itemized deductions and exemptions in the proportion that her Idaho taxable income bears to her Idaho taxable income as if she were a resident of Idaho.

The Idaho Code specifically states how a part-year resident is to compute Idaho taxable income. However, subsection (5) of Idaho Code section 63-3026A provides for an adjustment to eliminate distortions in the amount of net income attributable to a taxpayer's activities in Idaho. The adjustment is limited to circumstances involving itemized deductions

and which shows a failure to reflect the net income or deduction after reimbursements have been received; or a failure to reflect the net amount of mortgage interest income or expense from activities in Idaho.

The taxpayer has failed to show that either of the distortions listed in Idaho Code section 63-3026A(5) existed. The taxpayer failed to meet her burden of proof. Albertson's, Inc. v. State, Dept. of Revenue, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984). Therefore, the Tax Commission finds that the correction made to the taxpayer's allowable portion of her itemized deductions was in accordance with the Idaho Code.

Idaho Code section 63-3045 states that interest shall apply to deficiencies in tax. The Audit/Collection Division added interest in its Notice of Deficiency Determination to the taxpayer. The Tax Commission reviewed this addition and found it in accordance with Idaho Code section 63-3045.

WHEREFORE, the Notice of Deficiency Determination dated December 5, 2001, is hereby APPROVED, AFFIRMED AND MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayer pay the following tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2000	\$3,569	\$328	\$3,897

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the taxpayer's right to appeal this decision is included with this decision.

DATED this ____ day of _____, 2002.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2002, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]Receipt No. [Redacted]
C/O [REDACTED] [REDACTED][Redacted] [REDACTED]

ADMINISTRATIVE ASSISTANT 1